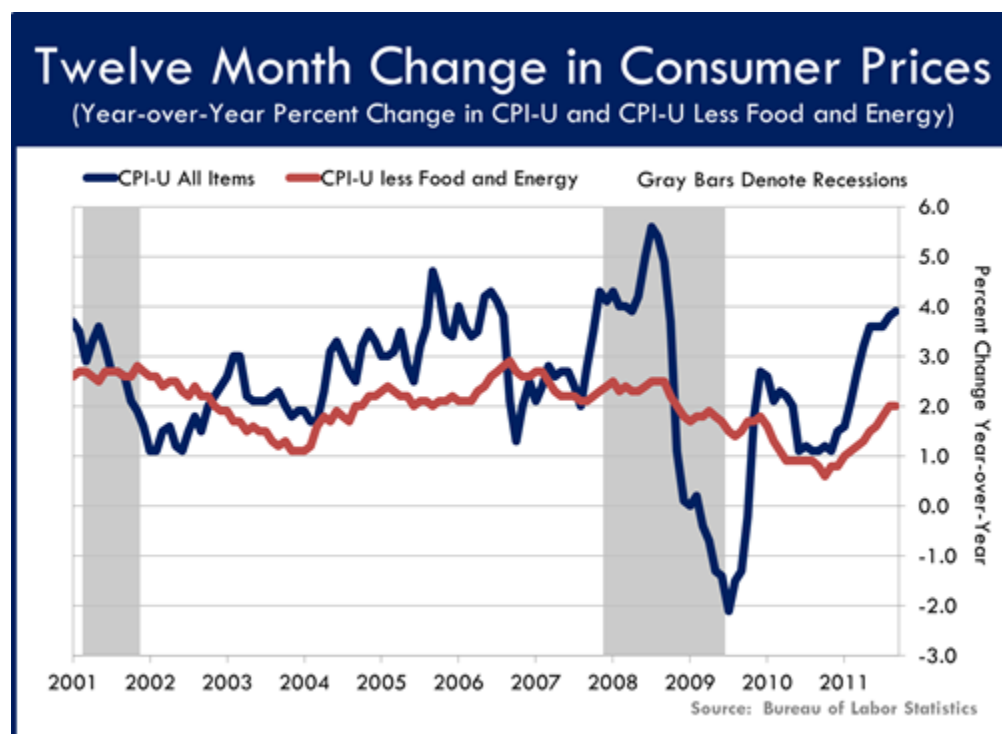


Consumer Prices Increase 3.9% Over Past 12 months

Social Security COLA of 3.6% Set for 2012

The Bureau of Labor Statistics (BLS) released Consumer Price Index (CPI) data this morning for September 2011. Prices for all items (CPI-U, all urban consumers) increased by 0.3% during September. Over the past 12 months, prices increased 3.9%. Excluding food and energy (core CPI,) prices increased by 0.1% in September and 2.0% over the past 12 months. Over the past 12 months, the energy component has increased by 19.3% and the food component by 4.7%.



This month's CPI release also provided the final data point used by the Social Security Administration (SSA) in determining the size of any Social Security COLA for 2012. Under the formula used by the SSA, beginning in January 2012 Social Security benefits for some 55 million recipients will increase by 3.6%. Benefits for SSI recipients will increase beginning December 30, 2011.

The maximum amount of earnings subject to the 12.4% Social Security payroll tax (6.2% employee and 6.2% employer) will rise from \$106,800 to \$110,100. This increase will affect approximately 10 million of the 161 million workers who will pay Social Security taxes in 2012.'

The Social Security COLA is the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the last year a COLA was determined to the third quarter of the current year.

This is the first time Social Security recipients will receive a COLA since 2009. There was no COLA in 2010 and 2011 because the CPI-W for those years did not increase above the level of the third quarter of 2008, the last year a COLA was determined.

The retirement earnings test used by the SSA will also change for 2012 as a result of the new data.

The earnings limit for workers who are younger than "full" retirement age (age 66 for people born in 1943 through 1954) will be \$14,640. The SSA will deduct \$1 from benefits for each \$2 earned over \$14,640.

The earnings limit for people turning 66 in 2012 will be \$38,880. The SSA will deduct \$1 from benefits for each \$3 earned over \$38,880 until the month the worker turns age 66. There is no limit on earnings for workers who are "full" retirement age or older for the entire year.

Please let us know if you have any questions or comments, or if we can provide you with any additional information.

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